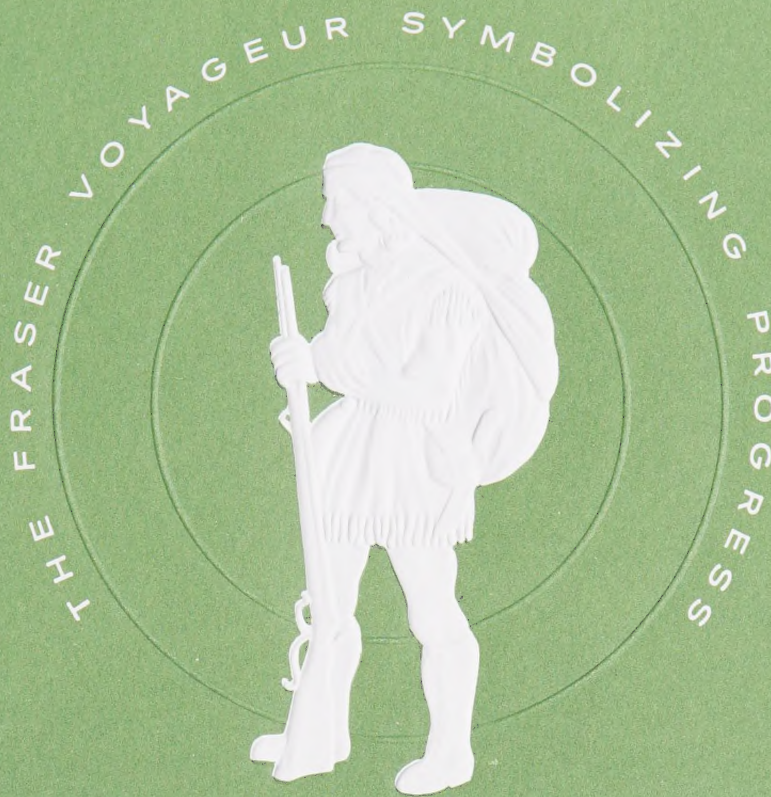


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FRASER COMPANIES, LIMITED

Annual Report

1960

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THE ANNUAL GENERAL MEETING of the shareholders of Fraser Companies, Limited will be held at the general office of the company at Edmundston, N.B. on Wednesday, the 15th day of March, 1961, at the hour of ten o'clock in the forenoon, Atlantic Standard Time.

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MILLS AND OFFICES

FRASER COMPANIES, LIMITED

GENERAL AND EXECUTIVE OFFICES

EDMUNDSTON, NEW BRUNSWICK

MILLS

EDMUNDSTON, NEW BRUNSWICK	- sulphite and groundwood pulpmills, sulphite and kraft bleaching plants and paperboard mill
ATHOLVILLE, NEW BRUNSWICK	bleached sulphite pulpmill
NEWCASTLE, NEW BRUNSWICK	unbleached kraft pulpmill
CABANO, QUEBEC	sawmill and dressing mill
PLASTER ROCK, NEW BRUNSWICK	sawmill and dressing mill

DIVISIONAL OFFICES FOR DISTRICT WOODS OPERATIONS

EDMUNDSTON, N.B.
NEWCASTLE, N.B.
ATHOLVILLE, N.B.

PLASTER ROCK, N.B.
FREDERICTON, N.B.
CABANO, P.Q.

SALES OFFICES

1010 ST. CATHERINE ST. W., MONTREAL 2, QUE.	pulp and paperboard sales
159 BAY ST., TORONTO 1, ONT.	paperboard sales
EDMUNDSTON, NEW BRUNSWICK	lumber sales

FRASER PAPER, LIMITED (*Subsidiary Company*)

MILLS

MADAWASKA, MAINE

{ paper mills manufacturing high grade specialty
papers from chemical and groundwood pulps

SALES OFFICES

420 LEXINGTON AVE., NEW YORK 17, N.Y.
111 W. WASHINGTON ST., CHICAGO 2, ILL.

DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

E. R. ALEXANDER
F. PHILIPPE BRAIS, C.B.E., Q.C.
RALPH B. BRENNAN
ARTHUR H. CAMPBELL
AUBREY CRABTREE, LL.D.

H. ROY CRABTREE
ROY A. JODREY, LL.D.
K. W. MATHESON
A. L. PENHALE
L. M. SHERWOOD

EXECUTIVE COMMITTEE*

RALPH B. BRENNAN
H. ROY CRABTREE

AUBREY CRABTREE, *Chairman*

ROY A. JODREY
L. M. SHERWOOD

OFFICERS

AUBREY CRABTREE	—	—	—	—	—	—	—	—	—	Chairman of the Board and President
K. W. MATHESON	—	—	—	—	—	—	—	—	—	Vice-President
C. T. CLARK	—	—	—	—	—	—	—	—	—	Vice-President — Manufacturing
W. A. KETCHEN	—	—	—	—	—	—	—	—	—	Vice-President — Technical Services
E. S. McLEAN	—	—	—	—	—	—	—	—	—	Treasurer
G. G. GILLIES, F.C.I.S.	—	—	—	—	—	—	—	—	—	Secretary
F. B. RICHARDS, C.P.A.	—	—	—	—	—	—	—	—	—	Controller
H. P. HIERLIHY	—	—	—	—	—	—	—	—	—	Assistant Treasurer
B. W. HICKS	—	—	—	—	—	—	—	—	—	Assistant Secretary
C. S. HENDERSON	—	—	—	—	—	—	—	—	—	Assistant Controller
H. M. LOGAN, C.A.	—	—	—	—	—	—	—	—	—	Assistant Controller

* The Board of Directors of the subsidiary company, Fraser Paper, Limited, is comprised of the members of the Executive Committee and K. W. Matheson



AUDITORS

• ROSS, TOUCHE & CO.

STOCK TRANSFER AGENT AND REGISTRAR

• MONTREAL TRUST COMPANY
P.O. Box 10, Place d'Armes,
Montreal, Quebec

• 104 Prince William Street,
Saint John, New Brunswick

• 15 King Street West,
Toronto, Ontario

STOCK LISTED

• MONTREAL STOCK EXCHANGE • TORONTO STOCK EXCHANGE



DIRECTORS' REPORT

TO THE SHAREHOLDERS, FRASER COMPANIES, LIMITED:

The consolidated balance sheet at December 31, 1960, and the consolidated statements of income and expenditure and earned surplus for the year ended December 31, 1960, of Fraser Companies, Limited and its wholly-owned subsidiary, Fraser Paper, Limited, are submitted herewith.

Earnings for the year, before interest charges and provisions for depletion, depreciation, and taxes on income, amounted to \$10,736,523.

The profit for the year after all charges, including provisions for depletion and depreciation of \$3,669,815 and a provision of \$3,380,000 for taxes on income, amounted to \$3,613,208 as compared with \$4,150,700 in 1959.

In accordance with the terms of the Deed of Trust and Mortgage, First Mortgage and Collateral Trust Bonds 3% Series due January 1, 1967, in the principal amount of \$350,000, were redeemed during the year.

Dividends declared on the common stock during 1960 amounted to \$2,671,322, consisting of four regular quarterly dividends of 30¢ per share. The regular quarterly dividend declared in November, 1960 was paid in January 1961.

Net additions and improvements to plants and properties during the year totalled \$7,589,835.

Loss from the conversion of United States funds into Canadian funds amounted to \$775,452 for the year, compared with a loss of \$1,225,575 in 1959.

The consolidated net working capital at the end of the year was \$11,489,722.

For the convenience of shareholders, the Directors have enacted two amendments to the General By-Laws of the Company. One of these changes removes the requirement for the signature of a witness on the proxy for meetings of shareholders. The other removes the requirement that shares may only be transferred at the register where issued. You will be asked to consider, approve and sanction these amendments at the next Annual General Meeting of Shareholders. If approved, an interchangeable system of stock transfers will be implemented by the Company on May 1, 1961. At the same time, an additional branch transfer office will be opened in Vancouver for the accommodation of shareholders in the western provinces.

The paperboard mill at Edmundston operated at capacity throughout the year. The paper mills at Madawaska operated near capacity until late in the year when the slow down in business activity resulted in a shorter work week in the mill manufacturing papers from bleached chemical fibres.

The unbleached kraft mill at Newcastle operated on a reduced basis until mid-July and full time the balance of the year. The sulphite mill at Atholville continued to operate on a reduced basis throughout the year with some improvement during December. The manufacture of bleached hardwood sulphite woodpulp at this mill was inaugurated during the year. This type of pulp is used to blend with other pulp fibres in the manufacture of several grades of paper produced in the paper mills at Madawaska.

Total shipments of pulp, paper and paperboard for the year amounted to 240,288 tons. This was 108 tons less than the previous year. Shipments of bleached sulphite woodpulp to the market again showed the largest decrease in quantity. Lumber shipments amounted to 27,119,000 board feet compared with 31,397,000 board feet in 1959.

The competitive situation for most pulp, paper and paperboard products became more intense as the year progressed. The excess capacity for production in most segments of the industry resulted

in price declines for some products. As of the first of the year, the price of the grades of bleached sulphite woodpulp produced at the Atholville mill declined from two to five dollars a ton. In November, there was a further drop of fifteen dollars per ton. At the same time, the price of bleached kraft pulp declined ten dollars per ton and unbleached kraft pulp five dollars per ton. Price reductions for certain grades of paper became effective early in the second half of the year.

In order to meet the more exacting specifications of our customers and of competition, more costly refinements in manufacturing are necessary. Consequently, production costs in many instances are higher, without any compensating upward adjustment in prices.

After lengthy negotiations for the renewal of labour agreements for employees in the Edmundston, Atholville and Newcastle mills, the matter was referred to conciliation. After a reopening of proceedings before the Conciliation Board, an agreement was finally reached. Wage increases agreed to were a compromise between the Company offer and the Union demands. Other labour agreements which expired during the year were renewed.

The erection and installation of the chlorine dioxide generator as well as the alterations to the sulphite and kraft bleacheries at Edmundston were completed and placed into operation in June. The use of chlorine dioxide in the bleaching process results in a brighter pulp without additional loss of strength. The brighter pulps permit the manufacture of papers at Madawaska in the brightness range demanded by the present highly competitive market.

The installation of the two additional pipe lines between the Edmundston pulpmills and the paper mills at Madawaska, commenced the previous year, was completed. These pipe lines were placed in service during the year.

The new paper machine in the mill at Madawaska, Maine had an exceptionally satisfactory start up late in September. This machine, equipped with the most modern devices for the manufacture of light and medium weight papers from bleached chemical woodpulp, is capable of producing in excess of 40,000 tons a year. It will utilize some of the surplus capacity for woodpulp in the pulpmills of the Company.

Other major capital projects completed at Madawaska during the year included the replacement of an obsolete roll grinder, a new 6,000 KVA electrical substation, installation of two multiple disc type savealls and the installation of certain conveying and paper finishing equipment in the new finishing room.

A program for the installation of two new steam generating units at Madawaska, replacing five old units which were installed prior to 1929, is being initiated. Construction for the first unit will start next summer. It is expected that this unit will be available for the generation of steam for the paper mills by late 1962.

Climatic conditions in 1960 were again unusually favourable for larval growth of the spruce budworm, particularly in central New Brunswick. Consequently, Forest Protection Limited is carrying out aerial spraying operations in 1961 in the same general area as last year.

It is with deep regret that your Directors record the death on September 7, 1960 of the Honourable David Laurence MacLaren, an esteemed Director of the Company since 1952. The vacancy on the Board has been filled by the election of Alfred L. Penhale of Thetford Mines, Quebec.

We wish to express grateful appreciation to our employees, customers and suppliers for their continuing loyalty and support.

Submitted on behalf of the Board of Directors.



Chairman and President

Edmundston, New Brunswick,
February 17, 1961.



FRASER COMPANIES, LIMITED

CONSOLIDATED BALANCE

(with comparatives figures)

ASSETS

1960

1959

CURRENT:

Cash in banks and on deposit	\$ 1,976,509	\$ 7,538,120
Accounts receivable — less reserve	3,304,018	2,890,938
Inventories, valued at the lower of cost or market, less reserve, comprising raw materials and supplies, goods in process and finished products, and logging and pulpwood advances season 1960-1961, as certified by responsible officials of the companies	13,691,861	12,538,502
Prepaid insurance	133,979	316,607
	<u>19,106,367</u>	<u>23,284,167</u>

INVESTMENTS — OTHER	105,433	99,543
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FIXED:

Freehold and leasehold timber limits, buildings, mills, equipment, etc., as valued at December 31, 1932 (such valuation being less than cost), with subsequent additions at cost, less deductions for equipment and property sold	95,898,631	88,466,048
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Less:

Accumulated depletion and depreciation	62,108,258	58,595,695
	<u>33,790,373</u>	<u>29,870,353</u>

Approved on behalf of the Board:

AUBREY CRABTREE, Director

K. W. MATHESON, Director

\$53,002,173

\$53,254,063

AUDITORS' REPORT TO THE SHAREHOLDERS

FRASER COMPANIES, LIMITED,
EDMUNDSTON, N.B.

We have examined the consolidated balance sheet of Fraser Companies, Limited and Fraser Paper, Limited as at December 31, 1960 and the related statements of income and expenditure and earned surplus for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the above consolidated balance sheet as supplemented by the note appended thereto and related statements of income and expenditure and earned surplus are properly drawn up in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, so as to exhibit a true and correct view of the state of the combined affairs of Fraser Companies, Limited and Fraser Paper, Limited at December 31, 1960 and the results of their operations for the year ended on that date, according to the best of our information and the explanations given to us and as shown by the books of the companies.

MONTREAL, QUE.
FEBRUARY 10, 1961

ROSS, TOUCHE & CO.
Chartered Accountants.

AND FRASER PAPER, LIMITED

SHEET AT DECEMBER 31, 1960

(at December 31, 1959)

LIABILITIES AND CAPITAL	1960	1959
CURRENT:		
Accounts payable	\$ 3,521,563	\$ 3,589,637
Payrolls and other charges accrued	1,414,353	1,307,068
Dividend — payable January 23, 1961	667,831	1,335,661
Taxes on income — estimated	2,012,898	2,228,055
	<u>7,616,645</u>	<u>8,460,421</u>
FIRST MORTGAGE AND COLLATERAL TRUST BONDS:		
Authorized <u>\$12,000,000</u>		
Issued:		
2½% Serial bonds due 1948-1957 3,500,000		
Less: Retired <u>3,500,000</u>		
	<u>—</u>	<u>—</u>
3% Series due January 1, 1967 3,500,000	3,500,000	3,500,000
Less: Redeemed 1,400,000	1,400,000	1,050,000
(\$350,000 redeemable annually)	<u>2,100,000</u>	<u>2,450,000</u>
RESERVE FOR CONTINGENCIES	1,388,000	1,388,000
CAPITAL AND SURPLUS:		
Common shares without nominal or par value:		
Authorized—3,000,000 shares		
Issued —2,226,102 shares	3,984,483	3,984,483
Capital surplus	1,231,286	1,231,286
Earned surplus	36,681,759	35,739,873
	<u>41,897,528</u>	<u>40,955,642</u>
	<u>\$53,002,173</u>	<u>\$53,254,063</u>

Note :

In consolidating the balance sheet of Fraser Paper, Limited, which operates in the United States of America, American dollars are expressed as an equal number of Canadian dollars.



FRASER COMPANIES, LIMITED AND FRASER PAPER, LIMITED

STATEMENT OF CONSOLIDATED INCOME AND EXPENDITURE

FOR THE YEAR ENDED DECEMBER 31, 1960

(with comparative figures for 1959)

	1960	1959
Earnings for the year (including \$125,752 investment income), after operating expenses, etc., (including executive officers' salaries and legal fees of \$167,013 and directors' remuneration of \$4,400), but before providing for the undernoted items:	\$10,736,523	\$12,133,407
Deduct:		
Bond interest	73,500	84,000
	10,663,023	12,049,407
Deduct:		
Provision for depletion and depreciation	3,669,815	3,627,707
	6,993,208	8,421,700
Deduct:		
Provision for taxes on income	3,380,000	4,271,000
Profit for the year	<u>\$ 3,613,208</u>	<u>\$ 4,150,700</u>

STATEMENT OF CONSOLIDATED EARNED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 1960

(with comparative figures for 1959)

Balance at beginning of the year	\$35,739,873	\$34,928,326
Add:		
Profit for the year	3,613,208	4,150,700
	39,353,081	39,079,026
Deduct:		
Dividends	2,671,322	3,339,153
Balance at end of the year	<u>\$36,681,759</u>	<u>\$35,739,873</u>

SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1960

(with comparative figures for 1959)

	1960	1959
SOURCE OF FUNDS		
Profit for the year	\$ 3,613,208	\$ 4,150,700
Provision for depletion and depreciation	3,669,815	3,627,707
	<u>\$ 7,283,023</u>	<u>\$ 7,778,407</u>
APPLICATION OF FUNDS		
Net additions and improvements to plants and properties	\$ 7,589,835	\$ 5,097,985
Bonds redeemed	350,000	350,000
Dividends declared	2,671,322	3,339,153
Investments increased	5,890	6,767
	<u>10,617,047</u>	<u>8,793,905</u>
Working Capital decreased	3,334,024	1,015,498
	<u>\$ 7,283,023</u>	<u>\$ 7,778,407</u>

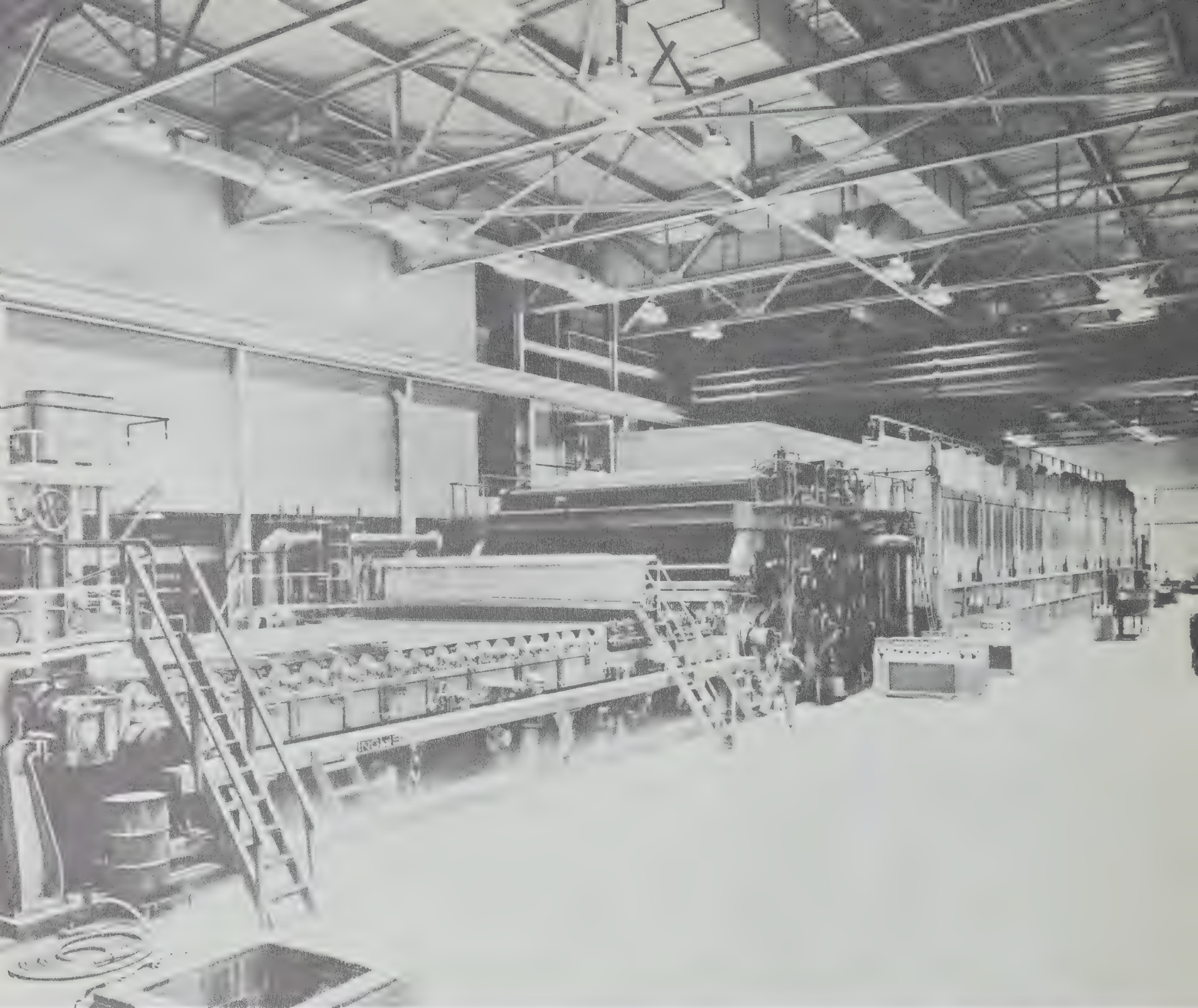


TEN YEAR COMPARISON

	FOR THE YEAR	1960	1959	1958
QUANTITIES SHIPPED:				
PULP, PAPER AND PAPERBOARD (tons)		240,288	240,396	242,454
LUMBER (M f.b.m.)		27,119	31,397	27,691
<hr/>				
NET SALES		\$53,745,497	\$55,133,065	\$54,564,038
PROVISION FOR TAXES ON INCOME		3,380,000	4,271,000	4,484,000
INCOME TAXES PER COMMON SHARE		1.52	1.92	2.02
PROFIT FOR YEAR		3,613,208	4,150,700	4,621,859
EARNED PER COMMON SHARE		1.62	1.86	2.07
DIVIDENDS DECLARED PER COMMON SHARE		1.20	1.50	1.50
NET ADDITIONS TO PLANTS AND PROPERTIES		7,589,835	5,097,985	4,346,182
DEPLETION AND DEPRECIATION		3,669,815	3,627,707	3,938,841
<hr/>				
END OF YEAR				
WORKING CAPITAL		\$11,489,722	\$14,823,746	\$15,839,244
CURRENT RATIO (Current assets to current liabilities)		2.5	2.8	2.8
BONDED DEBT		\$ 2,100,000	\$2,450,000	\$2,800,000
PREFERRED SHARES		—	—	—
COMMON SHAREHOLDERS' EQUITY		41,897,528	40,955,642	40,144,096

NOTE: 2,226,102 common shares were outstanding from 1952 to 1960 inclusive. The "per share" figures for 1951 have been adjusted to give effect to the 3 for 1 subdivision of stock in 1952.

1957	1956	1955	1954	1953	1952	1951
265,214	284,815	273,169	253,668	243,192	227,779	256,173
23,042	30,299	32,746	32,180	23,866	29,284	26,563
\$57,557,950	\$60,763,503	\$55,229,467	\$50,337,139	\$47,970,668	\$47,188,123	\$52,994,003
5,081,000	6,338,000	5,230,000	4,636,000	4,994,000	5,199,000	8,366,000
2.28	2.85	2.35	2.08	2.24	2.34	3.76
5,298,524	6,705,642	5,710,785	4,868,171	2,973,740	3,455,575	5,433,663
2.38	3.01	2.56	2.16	1.30	1.52	2.40
1.50	1.65	1.50	1.00	1.00	1.00	1.08
6,482,333	5,011,088	4,174,830	2,416,128	2,641,330	3,019,528	3,479,512
3,726,790	3,621,535	3,418,655	3,115,694	3,065,835	3,169,923	3,376,460
\$15,319,393	\$16,471,023	\$15,183,385	\$13,913,737	\$10,941,924	\$10,378,321	\$9,512,936
2.5	2.5	2.5	2.6	2.2	2.1	1.9
\$3,150,000	\$3,500,000	\$3,850,000	\$4,200,000	\$4,550,000	\$4,900,000	\$5,250,000
				1,424,100	1,424,100	1,427,800
38,861,390	36,902,019	33,869,445	31,488,813	27,703,773	27,023,780	25,861,875



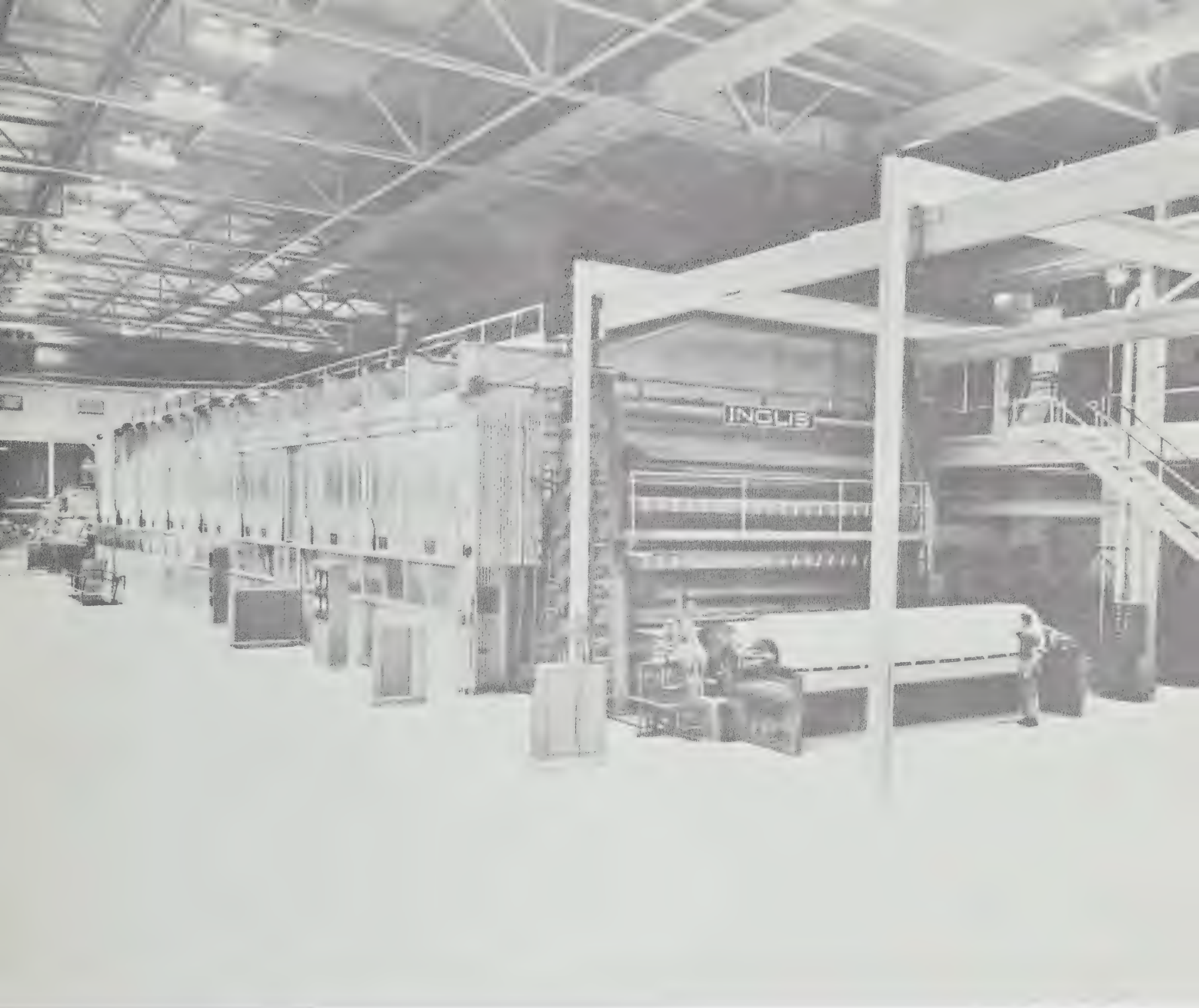
New No. 7 paper machine from the "wet-end".

ANOTHER FRASER

The new No. 7 paper machine in the paper mill at Madawaska, Maine, began to produce paper late in September 1960. It is housed in a new addition to the mill, in which space is provided for a second machine which will be installed when conditions warrant.

This new machine is the first added at Madawaska since 1930. No. 4 was replaced with a new machine in 1954 and certain modernizations of the other machines have taken place in recent years.

No. 7 machine was built to produce light and medium weight papers from bleached chemical woodpulp. It is capable of producing in excess of 40,000 tons per year.



New No. 7 paper machine from the "dry-end".

CAPITAL PROJECT

Stainless steel and tile have been used extensively in this machine to ensure a clean product. Modern instrumentation and automatic controls have been installed to maintain maximum quality and uniformity of product. The second press is an inverted air bleed type which conserves space, more effectively removes water and facilitates passage of the sheet through this section. A horizontal type of size press permits a more uniform application of size. The hood is aluminum and totally enclosed providing more uniform drying and more effective reclamation of heat. The calender stack is equipped with a nip relief device to ensure a more even calendering of the sheet with a minimum of calender roll changes.

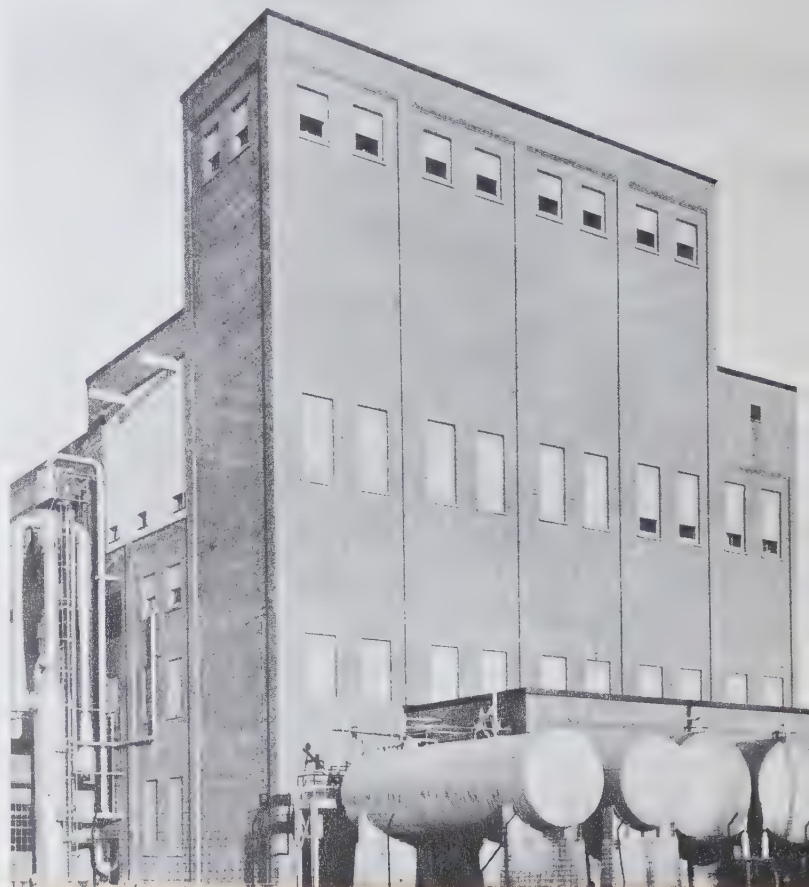
NEW CHLORINE DIOXIDE PLANT

Chlorine dioxide is now one of the principal agents used in the bleaching of sulphite and kraft pulps. It is made by reacting a solution of sodium chlorate with sulphur dioxide gas and air in the presence of sulphuric acid. The chlorine dioxide gas is dissolved in water and flows to the storage tanks for subsequent use in the bleaching process.

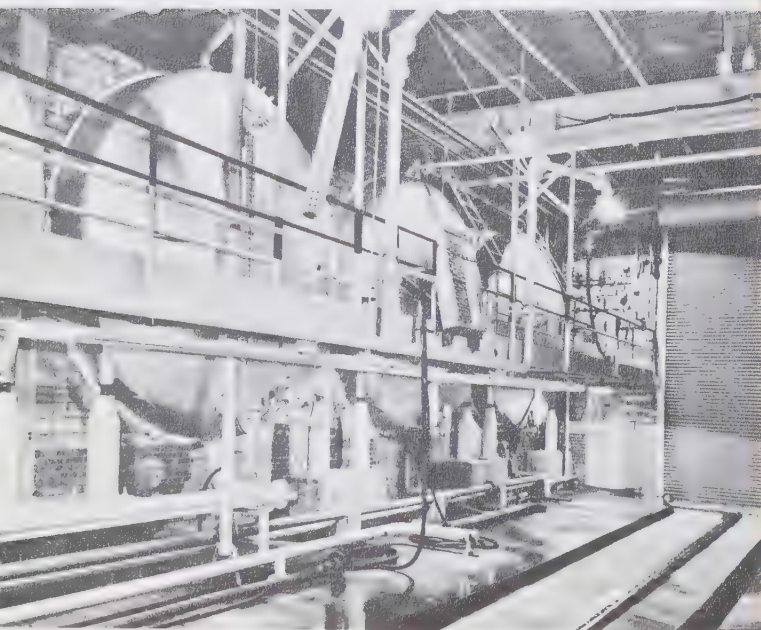
Equipment to produce chlorine dioxide was installed in the pulpmill at Edmundston and came into operation late in June 1960. This plant has a glass lined generator with a capacity for making six tons of chlorine dioxide per day. Auxiliary equipment includes storage tanks for sulphuric acid, liquid sulphur dioxide and sodium chlorate solution. There are facilities for unloading tank car quantities of these materials and for storing chlorine dioxide solution. A steam jet refrigeration unit provides the cold water necessary for use in the process.

The conversion of the sulphite and kraft bleacheries at Edmundston to permit the use of chlorine dioxide coincided with the completion of the plant to generate this bleaching agent.

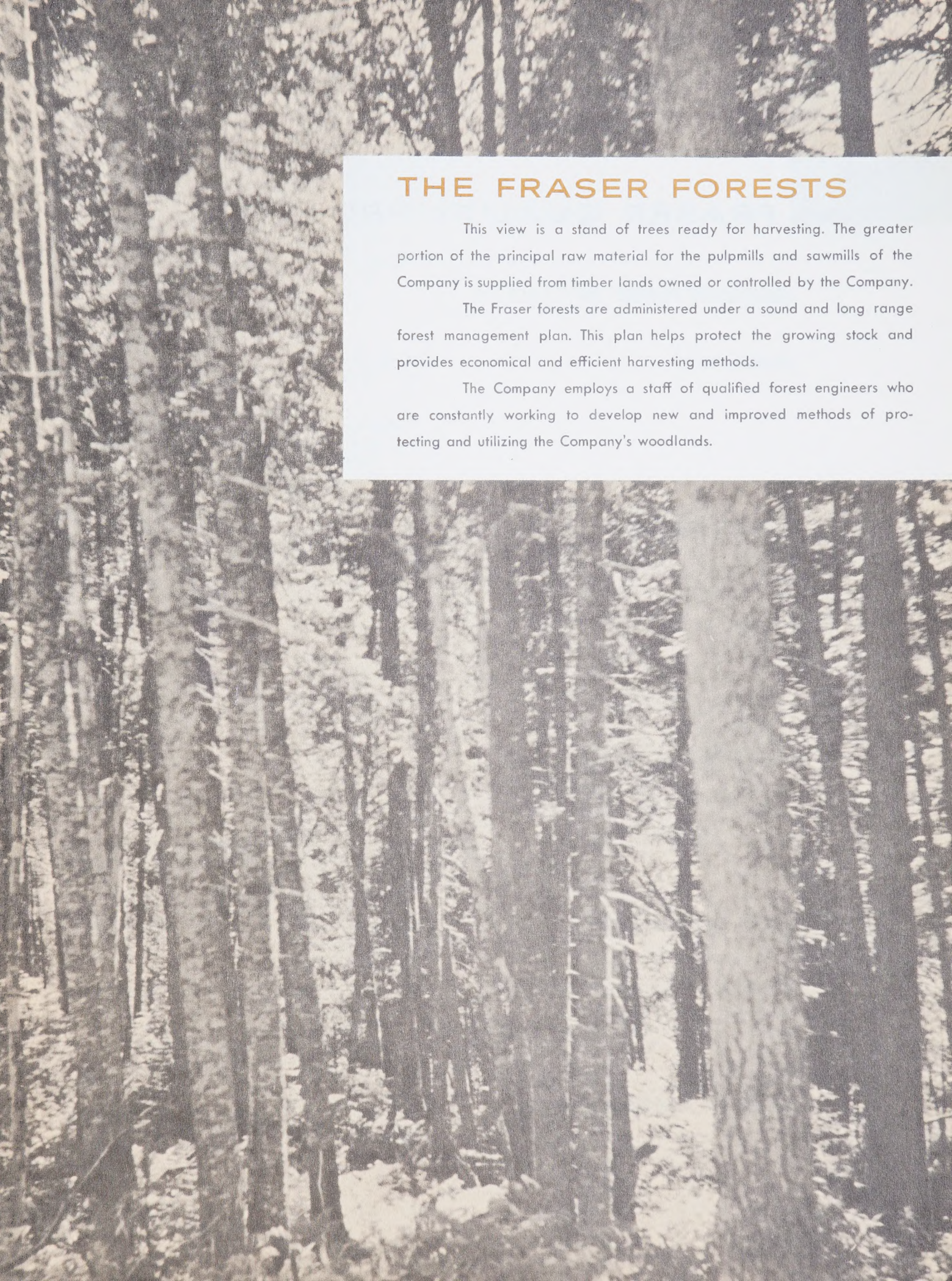
These facilities provide for the manufacture of brighter sulphite and kraft pulps without further loss of strength for use in the manufacture of paper and paperboard.



Bleachery building showing storage tanks for Chlorine Dioxide materials in foreground and water refrigeration unit at left.



Unloading area for materials used in the Chlorine Dioxide Plant.



THE FRASER FORESTS

This view is a stand of trees ready for harvesting. The greater portion of the principal raw material for the pulpmills and sawmills of the Company is supplied from timber lands owned or controlled by the Company.

The Fraser forests are administered under a sound and long range forest management plan. This plan helps protect the growing stock and provides economical and efficient harvesting methods.

The Company employs a staff of qualified forest engineers who are constantly working to develop new and improved methods of protecting and utilizing the Company's woodlands.



FRASER QUALITY PRODUCTS

MANUFACTURED IN CANADA

FRASER PULPS

Unbleached Kraft
for:— Specialty Papers - Paperboard

Restigouche Bleached and Unbleached Sulphite
for:— Bond - Book - Offset and Business Forms -
Sanitary and Cleansing Tissues -
Patent Coated Paperboard

FRASER PAPERBOARDS

Fra-Pak Solid Bleached Board - Patent Coated
Board - Specialty Board
For:— Food Containers - Folding Boxes -
Specialties

FRASER LUMBER

Eastern Canadian Spruce

MANUFACTURED IN U.S.A.

FRASER PRINTING PAPERS

Snowland Bond - Snowland Mimeograph - Snowland
Ledger - Snowland Duplicator - Snowland Manifold -
Fra-opaque - Offset

FRASER BUSINESS PAPERS

Register Bond and Fanform for Multicopy, Fanfold,
and Continuous Forms

FRASER CONVERTING PAPERS

(Including Fracote - a coated paper)

for:— Carton Wraps - Bread Wraps - Frozen Food
Wraps - Treated Food Wraps - Drinking
Straws - Gift Wraps - Waxings - Greeting
Cards - Charts - Tablets - Envelopes - other
specialty paper products and for laminating

FRASER GROUNDWOOD PAPERS

Catalogue - Directory - Specialties - in Rotogravure,
Letterpress, and Offset Finishes

